

BUSINESS CONDITIONS

AS REPORTED BY THE
FEDERAL RESERVE BANK
OF PHILADELPHIA



May 1, 1919

THERE has been apparently not much change in business conditions in this district since our last report, the only notable changes being increased buying in nearly all lines and some stiffening of prices.

Retail trade continues wonderfully good, and reports from all parts of the district are very encouraging. The demand for the better class of merchandise is noticeable, and an excellent business for the balance of the year is anticipated. Collections have been good, as the buying public seems to have been educated to pay for their bills more promptly.

For the many industries that are depending upon building operations for their business, it is encouraging to report that the lack of building operations in the past few years has resulted in a shortage of houses and has stabilized values, and properties are being taken up quickly. In Atlantic City, for instance, a building boom has commenced in spite of the existing high prices. By actual survey, it is reported that Philadelphia and Camden are at least 20,000 dwellings short of immediate requirements, and when the house building begins, an immense demand for lumber is expected. At present the lumber business is dull.

Chemicals Business is subnormal. Buyers are marking time, letting their stocks decrease, hoping to get the benefit of a lower level on purchases for their current and future needs. Within the past week there has been a slightly better tone and decidedly more inquiries have been received. The great disad-

vantage the chemical market is laboring under at present is due to the fact that many manufacturers who have been doing war work are heavily stocked with many lines of materials which were bought for Government contracts, and for which there is no apparent immediate use. A market is being urgently sought for these goods even in the face of a probable loss.

Coal While production of both anthracite and bituminous coal has been maintained at a level which represents a very much curtailed output, reports generally indicate a larger volume of inquiries and orders. Prices in the bituminous fields of central Pennsylvania are reported to be higher on some sizes. By far the greater part of the curtailment, however, is still due to lack of a market. Collections have been a bit slow since the cessation of hostilities but some improvement is noted of late.

Coffee Supplies of coffee were small at the time of the signing of the armistice, as steamer space had been lacking. Since then there has been some improvement. The Central Powers were large users of coffee and the probability that they will soon be back in the market is one of the reasons for an increase of about 50 per cent in the price of coffee since last November, advances in green coffees averaging around 5 to 6 cents per pound. Dealers are not stocking up in any quantity, although they are maintaining a fairly good supply to meet the current demand.

Cotton and cotton goods The mills have less stocks on hand than usual at this time of year, as business has been poor since the armistice was signed and many orders were canceled. The demand for goods and yarns is now better, mills are resuming on new orders and showing more interest in cotton. There is a good hand-to-mouth demand from all quarters for desirable cotton and indications are that the demand from now on will be sufficient to enable the South to dispose without further sacrifice of the cotton it is carrying. During the past month, there have been advances in the prices of raw cotton and cotton goods.

Electrical apparatus Actual going business is rather poor and practically confined to such supplies as are incident to the operations of established plants and industries. However, quite a volume of important inquiries are coming in, which indicate that new projects will be given attention as soon as national and international questions are settled. Collections are fairly good.

Failures The following table of commercial failures (Bradstreet's) in this district shows the significant decrease not only in the number but also in the capital involved in failures:

	<u>\$5,000 and less</u>	<u>\$5,000 to \$10,000</u>	<u>\$20,000 to \$50,000</u>	<u>\$50,000 to \$100,000</u>	<u>\$100,000 to \$500,000</u>	<u>Total</u>
<u>1918</u>						
January	71	7	..	..	1	79
February	68	7	..	2	1	78
March	54	4	3	2	..	63
April	36	1	2	..	..	39
May	48	4	2	2	..	56
June	33	..	..	..	..	33
July	28	..	1	..	..	29
August	30	2	..	..	..	32
September	28	3	1	..	..	32
October	16	3	..	..	..	19
November	20	3	..	3	..	26
December	23	1	2	..	..	26
<u>1919</u>						
January	31	7	2	..	1	41
February	23	2	1	..	..	26
March	16	2	1	..	..	19

Iron and steel Business at present is quiet, some plants operating at 50 per cent of capacity, and are only selling one-half of the pig iron made. The ultimate outcome, however, is believed to be favorable. The Hines-Redfield controversy has had a very depressing effect. Many concerns which had anticipated placing orders for their steel requirements have now decided to hold off awaiting the result of the controversy. Many would be in the market for material, but on account of unsettled conditions, they continue to defer purchasing their requirements. Taken as a whole, collections are fair.

The daily average production of pig iron during March was 99,685 tons, compared to an average of 108,060 tons in February. Total production of steel ingots by thirty companies as reported to the American Iron and Steel Institute was 2,662,265 tons, compared to 2,704,683 in the short month of February. Manufacturers generally are running their plants in excess of the amount of new orders received in order to keep their organizations intact.

Lace Business conditions in the lace industry were quiet up to about the middle of March. Since that time demand for lace shows a notable increase and reports generally indicate a considerable increase in orders. Manufacturers feel that the stocks of the retailers have become so depleted that good business will be assured to them for some time to come.

Leather The demand exceeds the supply. Sole leather has shown a decided improvement, both for domestic and foreign trade, and lifting by England of the embargo on the cheaper grades of leather has stimulated trade in this country for such stock, which had become somewhat redundant following the signing of the armistice. Supplies of raw material continue to be scarce, particularly the better grades of goatskins. No complaints concerning collections are reported.

Machinery There would be some demand for machinery for replacement purposes, but uncertainty with regard to prices has delayed buying, and business consequently is dull. Manufacturers, however, are optimistic, especially those making pumps and road building machinery. Increasing activity in the oil fields has increased the business of concerns manufacturing machinery used there.

Pottery The pottery manufacturers in the Trenton district, one of the most important pottery districts in the country, and a considerable portion of whose products go into buildings, state that so far this year business has been the poorest for a long time. The replies to inquiries are, however, hopeful, as it is believed buildings of all character are needed in almost every city in the country and that the erection of them must soon begin. Some concerns are operating their plants to about one-half capacity, accumulating goods for a demand which they anticipate will come later in the year. Collections have been good with what sales have been made.

Silk Silk concerns are doing a large business and feel more confident regarding the outlook, the selling of merchandise going on without interruption. Raw material has advanced further, and some concerns fear that the raw silk market is in a speculative and dangerous position.

Sugar Sugar refineries report an excellent volume of business. Export demand is very large and is expected to continue so until Germany and Austria once more produce sugar in sufficient quantities to resume exportations. Reports as to collections are not quite in accord, some companies reporting them better than ever, others say there is some falling off in promptness of payments.

Tobacco Tobacco growers report that business was very good for the first three months of the year. Since then, sales have been small, dealers and cigar manufacturers buying in a

hand to mouth manner. One of the largest cigar manufacturers reports that business is rapidly coming back to normal, that they are selling not only their entire production, but for some time have been oversold.

Wool Business has picked up considerably in March and there is now a big demand for all grades of wools and wool substitutes. Woolen mills and manufacturers of men's and women's wear are all busy. Business is rather dull with the underwear and blanket mills, although it is believed they, too, will soon be running full again. In view of the conditions with the woolen mills, the wool market has strengthened considerably, and wools have sold at the recent Government auctions on a par with the Government allotment prices in operation during the war. This is particularly true of the fine and fine medium grades.

Financial The money market in Philadelphia during the past month has been dull. High grade paper has been scarce. What little paper the banks bought was taken at $5\frac{1}{2}$ per cent, with choice short maturities $\frac{1}{4}$ per cent lower.

Loan operations of the Federal Reserve Bank continue large, the figures for March being \$839,369,000. Three hundred and forty-one member banks were accommodated compared with 322 the preceding month. The Bank's earning assets averaged \$204,604,000 daily during the month, compared with \$58,196,000 in March, 1918. Currency movements have been large, shipments made to banks by the Reserve Bank during March amounting to \$25,565,000, and shipments to the Reserve Bank from banks, \$28,172,000.. Total debits in the gold settlement fund amounted to \$524,869,000, and credits, \$512,989,000, exclusive of operations for the account of the United States Treasurer.

STATEMENT SHOWING THE PRINCIPAL RESOURCE
AND LIABILITY ITEMS OF MEMBER BANKS
IN PHILADELPHIA, SCRANTON,
CAMDEN AND WILMINGTON

	At the close of business	
	<u>Apr. 11, 1919</u>	<u>Mar. 14, 1919</u>
	(In thousands of dollars; <i>i. e.</i> 000's omitted)	
Number of banks reporting.....	56	56
United States bonds to secure circulation.....	\$11,597	\$11,597
Other United States bonds, including Liberty bonds	34,826	38,010
United States certificates of indebtedness.....	141,931	140,744
Total United States securities owned ..	<u>188,354</u>	<u>190,351</u>
Loans secured by United States bonds and certificates	141,573	142,916
All other loans and investments.....	613,398	614,739
Total loans and investments.....	<u>943,325</u>	<u>948,006</u>
Reserve with Federal Reserve Bank.....	67,307	67,219
Cash in vault	18,836	19,400
Net demand deposits on which reserve is computed	645,302	666,588
Time deposits	22,605	21,822
Government deposits	41,460	48,681

STATEMENT OF THE FEDERAL RESERVE BANK OF PHILADELPHIA

RESOURCES	April 16, 1919	Previous month	Year ago
Gold reserve	130,393,362	127,817,471	141,357,155
Legal tender, silver, etc. . .	268,628	270,294	668,008
Total reserve	130,661,990	128,087,765	142,025,163
Bills discounted—members. Secured by Government war obligations	184,200,448	169,965,103	—
All other	13,979,026	11,462,529	*24,345,857
Bills bought in open market	963,693	1,777,063	19,342,826
United States securities. . .	18,665,400	15,164,900	11,537,900
Total earning assets	217,808,567	198,369,595	55,226,583
Mutilated and fit notes on hand:			
Federal reserve notes. . .	8,406,560	12,629,315	3,311,260
Federal reserve bank notes	223,180	643,735	—
Due from depository banks —war loan deposit ac- counts	62,516,700	78,251,900	—
Uncollected items	72,140,431	84,395,107	32,892,843
All other resources	2,605,752	2,356,051	4,269,333
Total resources	494,094,552	504,733,468	237,725,182
LIABILITIES			
Capital paid in.	7,584,650	7,577,400	6,863,900
Surplus	2,608,344	2,608,344	—
Profit and loss.	—	—	220,238
Government deposits	4,748,820	12,397,741	4,994,396
Due to members—reserve account	112,884,217	110,097,018	86,360,520
Collection items	65,547,500	55,210,771	27,728,522
Total gross deposits	183,180,537	177,705,530	119,083,438
Government deposits—spe- cial account	67,078,390	82,828,137	—
Federal reserve notes out- standing	215,165,790	218,569,400	110,900,080
Federal reserve bank notes outstanding	15,840,000	13,460,000	—
All other liabilities.	2,636,841	1,984,657	657,526
Total liabilities	494,094,552	504,733,468	237,725,182

*Total amount of bills discounted members.

BUSINESS INDICATORS

	April 21, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	\$774,640,000	-0.5	+29
Deposits	653,184,000	-1.5	+ 2
Ratio of loans to deposits.....	118%	117*	93*
Federal Reserve Bank:			
Discounts and collateral loans.....	194,580,000	+7	+655
Cash reserve.....	42%	42*	74*
Ninety-day discount rate.....	4¾%	4¾*	4¾*
Commercial paper rate.....	5¾%	5½*	6*
	March, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia.....	\$1,730,286,000	+19	+21
Elsewhere in district.....	91,414,000	+ 9	-10
Total	1,832,200,000	+18	+ 20
Building permits, Philadelphia.....	\$2,662,290	+134	+138
Postoffice receipts, Philadelphia.....	1,179,754	+ 7	+5
Commercial failures in district (per Bradstreet's)	19	26*	63*
Commodity prices:			
Annalist, March 15.....	311.801	+7	+7
Dun's, March 1.....	219.973	+1	-4
Bradstreet's, March 1.....	\$17.2795	+0.3	-6

*Actual figures.



ON THE HORIZON

Paul Warburg, former member of the Federal Reserve Board, made the following pertinent comments at a recent dinner held by the Council of Foreign Relations:

"We around this table appreciate fully the duties now ours in consequence of the attainment of a position of such overtowering economic strength as to place other nations—with whom, both for their sake and ours, we must continue to trade—in a position of having to make good to us an annual debit balance larger than they may be able to equalize by the shipment of goods or gold. In these circumstances it is inevitable that such foreign customers must either sell us the foreign securities or assets they now hold, or their own national obligations, or failing that, they must make money so attractive within their own boundaries that our capital will seek to invest there. . . .

"Foreign countries will require many hundred millions' worth of raw material and finished articles for which, in their present disorganized condition, they will not be able to pay by the sale of goods or services. Conditions abroad in some countries are so grave and alarming that we must frankly admit our inability or even unwillingness, at this time to come to their support. There are others where we should feel justified and glad to help, if only we could see our way clear eventually to open to them the avenues leading to American savings."

Mr. Warburg suggests the formation of a great investment trust through which foreign securities might pass to investors in the United States, thereby providing funds for the settlement of foreign obligations in this country and the granting of credit.



Sir Josiah Childs said to Englishmen more than 200 years ago: "The greatness of this kingdom depends on foreign trade. . . . 'Tis observable of the Dutch that they erect the most noble tombs and statues to the memory of their famous sea commanders; which is certain indication of their being sensible of the vast advantages that accrue to them by their shipping, and I heartily wish we in this nation were not less apprehensive thereof."—System, April, 1919.

Professor Irving Fisher, in a statement prepared for the Department of Labor, expresses the opinion that prices will remain at a high level for the following reasons: 1. Gold will not return to circulation inasmuch as people find it more convenient to use notes and checks; 2. Gold will not leave the country in any considerable quantity as we are a great creditor nation; 3. Outstanding credit will not be greatly reduced as the Victory loan must be disposed of, and afterward business men will use the bonds to float large commercial loans.

Babson's make the following comment apropos of the curtailment in foreign buying: "Up to this time in the war period the financial over-expansion of the principal nations has apparently been of but little consequence to United States business. Merchants and manufacturers were able to sell their goods at high prices and get payment for them without difficulty. It seemed logical enough that this situation would continue at least thru the reconstruction period. This was the principal argument of those who have been expecting a great period of business prosperity to follow the settlement of peace. The facts, however, are different. Nothing but war could induce a sane nation to buy on the reckless scale which the warring nations have bought during the past four years. Neither would it be sound judgment for the United States Government to lend as it has for any less than the emergency of war. Reconstruction cannot be accomplished that way."

The Federal Reserve banks and the member banks, and, in fact, the whole banking world are but servants of the public and must fulfill their duties to the best of their ability. They must also fulfill a duty to the Government in insuring the success of the Victory loan as they have so ably done in the past. However, the public likewise has a duty to perform, and that is to see that the banks are not forced to carry a larger percentage of the new loan for a longer period than they did when they underwrote the previous loans. If they fail to give their whole-hearted support, it will simply mean

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that the banks cannot extend the credit to commercial undertakings which is so necessary for the orderly continuation of business on a big scale.

The Government will take the fourteenth census of farms as of January 1, 1920, instead of collecting this data as of April 15. This change of date was made so as to obtain more accurate data and cause less interference with the work of the farmers.

To avoid the spread of radical socialism, American business men must revise their ideas regarding methods of handling labor, according to a report of the Employers' Industrial Commission of the Department of Labor. The commissioners made a study of conditions in Great Britain and all were agreed that: 1. The spirit of co-operation between capital and labor is highly desirable; 2. The spirit of conciliation is important for the benefit of the employer in stabilizing his business and for the benefit of the employe in preserving his regularly organized unions; 3. In collective bargaining the right-minded employer will not attempt to return to the pre-war industrial era and that the right-minded employee will not attempt to crowd his demand to the point at which the stimulus for private business enterprise would disappear. They find that practically all employers and employees who believe in organization are united against the radical leaders who oppose collective bargaining.

Otto H. Kahn recently said: "Our readjustment problem presents no serious difficulty, I think the time has come for business and the public to abandon a waiting attitude and to proceed to full activity with courage and with faith in the country and in the future."

The Council of National Defense announces its readiness to place at the command of the business world the information contained in the voluminous collection of data brought together, classified, indexed and partly digested by its Reconstruction Research Division. It also offers the services of this Division in the procurement of such further special information as may be desired and which may add in the reorganization of industry and resumption of trade, or which may in any other manner promote progress.

The number of tractors manufactured in this country in 1918 totaled 133,000. It is estimated that 315,000 will be produced in

1919. Tractors are proving their practical utility even on farms of small size. The Federal Reserve Board has ruled that notes given by farmers in payment for agricultural implements constitute agricultural paper eligible for rediscount at Federal Reserve banks.

During March, 1919, almost \$16,000,000 were loaned to over 4600 farmers of the United States by the Federal Land Banks on long-time first mortgages. On April 1 the total amount of the mortgage loans closed since the establishment of the Federal Land Banks was \$199,000,000 to 80,000 borrowers.

The Japanese Government has proposed to its legislative body that foreign corporations be permitted to do business in Japan and operate mines there.

The issue of securities by British companies for capital purposes abroad, and issues on behalf of persons resident abroad, is still controlled by the British Government.

Canada has provided \$25,000,000 to be loaned to workingmen who desire to build homes.

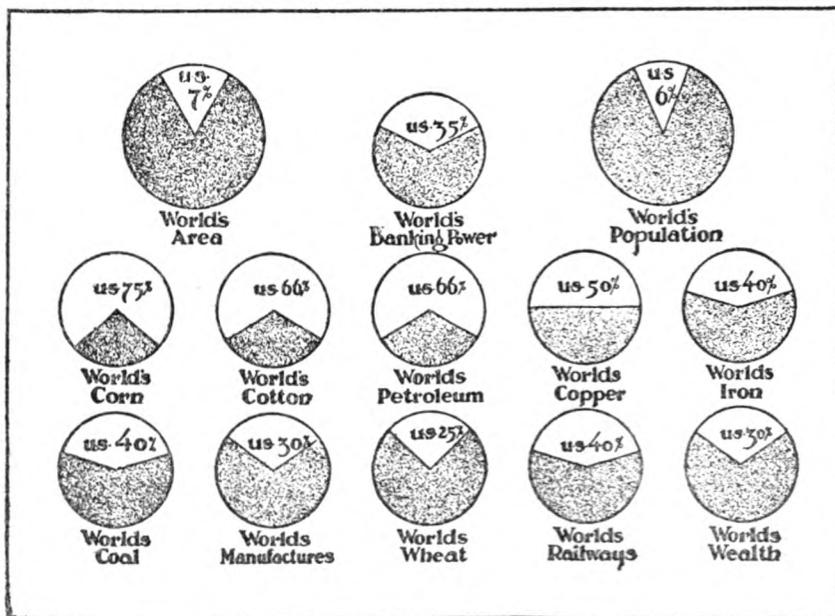
The Journal of Commerce prints a letter criticising the policy of holding cotton of the last crop until it reaches a price of 30 cents per pound and of reducing cotton acreage of the next crop, which steps have been so ardently advocated in the South of late. The writer points out that cotton was not held down in price by the war but rose exactly the same as other commodities to a high level, and that the cost of production instead of being around a 30 to 40 cent level was in reality slightly over 11 cents. The apparent unwillingness of the Southern planters to forego part of their profits as have the manufacturers throughout the country in an effort to stimulate business and aid reconstruction is branded as an act of supreme selfishness.

The Department of Labor estimates that one million new houses and apartments are needed throughout the country. The war has caused such a slackening of the building industry in everything except for war essentials that the demand for homes is now the greatest in the history of the country. Reports up to a recent date show that this demand is being only slowly met, probably due to the uncertainty of the prices of nearly all building materials.

Building contracts awarded for the week ending April 4 totaled \$61,000,000, compared with \$44,000,000 awarded in the preceding week and \$28,000,000 in the first week of March.

Although the War Finance Corporation is prepared to assist in financing exporters under the Victory Liberty Loan Act, no formal applications have been received, according to the Federal Trade Information Service. The absence of applications for loans is a source of surprise to the officials of the corporation.

A recent issue of the Financial Age states that our banks and business men have little ground for complaint and should be bullish on fundamental conditions as they exist in the country today. The following diagram shows in concrete style how well off the United States is compared to the rest of the world.



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